



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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November 3, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe *Wendy L. Watanabe*
Auditor-Controller *by Schneiderman*

SUBJECT: **THE HELP GROUP – PROJECT SIX – A GROUP HOME FOSTER
CARE CONTRACT PROVIDER – FISCAL REVIEW**

At the request of the Department of Children and Family Services (DCFS), we reviewed the fiscal operations of The Help Group - Project Six (Project Six or Agency) from July 1, 2008 through June 30, 2009. Project Six is licensed to operate one group home (GH) with a capacity of 32 children. Project Six is located in the Third Supervisorial District.

DCFS and the Probation Department contract with Project Six to care for foster children placed in the Agency's facility. DCFS paid Project Six \$5,891 per child per month, based on a rate determined by the California Department of Social Services, for a total of \$1,208,908 during Fiscal Year (FY) 2008-09.

The issuance of our report to your Board was delayed in part by changes in federal and State regulations regarding possible repayment of questioned costs from fiscal reviews. To enable Project Six to begin taking corrective action immediately, we discussed the findings and recommendations from our review with Agency management on October 21, 2010.

Summary of Findings

We identified \$34,741 in unallowable costs, and \$1,896 in unsupported/inadequately supported costs. Project Six also needs to ensure that its Semi-Annual Expenditure

Reports are consistent with the Agency's accounting records, and to strengthen its controls over its fixed assets. Details of our findings are discussed in Attachment I.

We have recommended that DCFS resolve the questioned costs, and collect any disallowed amounts. DCFS should also ensure that Project Six management takes action to address the recommendations in this report, and monitor to ensure that the actions result in permanent changes.

Review of Report

We discussed our report with Project Six's management and DCFS on May 19, 2011. The Agency's response, which is incorporated into DCFS' Fiscal Corrective Action Plan (Attachment II), indicates the Agency intends to repay the entire \$36,637 in unallowable and unsupported/inadequately supported expenditures, and is in general agreement with our findings and recommendations.

This audit is not intended to be, and does not constitute, the discovery or identification of an overpayment for purposes of the federal Improper Payments Act, related California State laws, including but not limited to Welfare and Institutions Code Sections 11466.23, 11466.235, 11466.24, etc., nor State regulations intended to implement either the federal Improper Payments Act or related provisions in State law. This audit is intended solely to assist DCFS in managing its contractual relationships. Consequently, this report will be forwarded to DCFS, in order that it might take further action, as it deems appropriate, based on its contents. Such further action may, or may not, include the discovery or identification of an overpayment for purposes of federal or State law.

We thank Project Six's management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Robert Campbell at (213) 253-0101.

WLW:JLS:RGC:MWM

Attachments

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Interim Director, DCFS
Cal Remington, Acting Chief Probation Officer
Reaver E. Bingham, Deputy Chief, Probation Department
Michael Love, Sr., Vice President of Finance, The Help Group - Project Six
Board of Directors, The Help Group - Project Six
Cora Dixon, Bureau Chief, Foster Care Audits Bureau, CA Dept of Social Services
Commission for Children and Families
Public Information Office
Audit Committee

The Help Group - Project Six
Group Home Contract Provider
Fiscal Review

REVIEW OF EXPENDITURES/REVENUES

We identified \$34,741 in unallowable expenditures, and \$1,896 in unsupported/inadequately supported expenditures. Details of these expenditures are discussed below.

Applicable Regulations and Guidelines

The Help Group - Project Six (Project Six or Agency) is required to operate its group home (GH) in accordance with the following federal, State and County regulations and guidelines:

- GH Contract, including the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook)
- Federal Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations (Circular A-122)
- California Department of Social Services Manual of Policies and Procedures (CDSS-MPP)
- California Code of Regulations, Title 22 (Title 22)

Unallowable Expenditures

Circular A-122 Section 23 states that finance charges are unallowable expenditures. We noted that The Help Group, the parent organization of Project Six, issued a bond through the California Health Care Facilities Financing Authority. Project Six allocated \$34,741 of interest and insurance payments for this bond to the County's GH program. While some bond proceeds did benefit GH property, we noted that this property is leased to the Agency, and the lessor should be responsible for finance charges and capital improvements.

Unsupported/Inadequately Supported Expenditures

A-C Handbook Section A.3.2 states that all expenditures must be supported by original vouchers, invoices, receipts, canceled checks, or other documentation. Unsupported expenditures will be disallowed upon audit.

We identified \$1,896 in GH expenditures that were either unsupported, or inadequately supported. Specifically:

- \$1,598 for professional fees. The Agency did not provide sufficient documentation to establish that the expenditures benefited the GH Program.
- \$298 in gasoline. The Agency indicated that the expenditure was accidentally charged to the GH Program by a one-time data input error.

Recommendations

1. **DCFS management resolve the \$36,637 (\$34,741 + \$1,896) in unallowable and unsupported/inadequately supported expenditures, and collect any disallowed amounts.**

Project Six management:

2. **Ensure that foster care monies are used for allowable expenditures to carry out the purpose and activities of the Agency's GH program.**
3. **Maintain adequate supporting documentation for all Agency expenditures, including original itemized invoices and receipts.**

CONTRACT COMPLIANCE AND INTERNAL CONTROLS

We noted the following contract compliance and internal control issues. DCFS should ensure that Project Six management takes action to address the recommendations in this report. DCFS should also monitor to ensure the actions result in permanent changes.

Semi-Annual Expenditure Report

The GH Contract Section 16 requires agencies to prepare and submit Semi-Annual Expenditure Reports to DCFS within 60 days after the end of each semi-annual reporting period.

Project Six submitted its Semi-Annual Expenditure Reports for FY 2008-09 to DCFS in a timely manner. However, some of the amounts on the reports were not consistent with the Agency's accounting records. Project Six needs to revise and resubmit the Semi-Annual Expenditure Reports to DCFS, and ensure that future reports are consistent with the Agency's accounting records.

Recommendation

4. **Project Six management revise and resubmit the Semi-Annual Expenditure Reports for FY 2008-09, and ensure that future expenditure reports are consistent with the Agency's accounting records.**

Fixed Assets Inventory

A-C Handbook Section B.4.2 states that an inventory of all fixed assets should be conducted at least once a year, to ensure that all fixed assets are accounted for and maintained in proper working order.

Project Six indicated that they inventory all fixed assets at least annually. However, the Agency could not provide any documentation (e.g., signed checklist, inventory sheets, etc.) that an inventory was conducted.

Recommendation

- 5. Project Six management conduct an inventory of all fixed assets at least annually, to ensure that fixed assets are accounted for and maintained in proper working order, and maintain supporting documentation.**



JACKIE CONTRERAS, Ph.D.
Acting Director

**County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

425 Shatto Place, Los Angeles, California 90020
(213) 351-5602

July 15, 2011

Barbara Firestone, Ph.D.
President/CEO
The Help Group - Project Six
13130 Burbank Blvd.
Sherman Oaks, CA 91401

Board of Supervisors
GLORIA MOLINA
First District
MARK RIDLEY-THOMAS
Second District
ZEV YAROSLAVSKY
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

Dear Ms. Firestone:

**AUDITOR-CONTROLLER'S FISCAL REVIEW OF THE HELP GROUP - PROJECT SIX -
A GROUP HOME FOSTER CARE CONTRACT PROVIDER**

We have reviewed your fiscal corrective action plan (FCAP) in response to the Auditor Controller's fiscal audit report for the period of July 1, 2008 through June 30, 2009. The FCAP fully addresses the five recommendations (see Attachment I). In addition, the one recommendation directed to DCFS was fully addressed. Please submit the requested Board-approved policies/procedures, as soon as they are approved by your Board.

DCFS requires that The Help Group - Project Six, as agreed, to submit a check drawn on non-foster care funds in the total amount of \$36,637.00. Please make your check payable to DCFS Cashier and mail to:

Latisha Thompson, ASM III
Department of Children and Family Services
425 Shatto Place Rm. 304
Los Angeles, Ca. 90020

The Department requires that you identify the source of the funds from which payment will be made.

If you have any questions, please contact Ali Gomaa-Mersal of my staff at (213) 351-3209.

Sincerely,

A handwritten signature in cursive script, appearing to read "Latisha Thompson".

Latisha Thompson, ASM III
Fiscal Monitoring and Special Payments

Attachments

- c: Mike McWatters, Chief Audit Division (via electronic mail only)
- Sandra Gomez, Principal Accountant-Auditor (via electronic mail only)

"To Enrich Lives Through Effective and Caring Service"

**FISCAL REVIEW THE HELP GROUP - PROJECT SIX - A GROUP HOME FOSTER
CARE CONTRACT PROVIDER**

Note: Department of Children and Family Services (DCFS) will only review documentation not previously provided to the Auditor-Controller.

Summary of Recommendations

Based on the FCAP dated July 15, 2011, submitted by The Help Group - Project Six, status of each recommendation is summarized as follows:

- 5 Recommendations (1-5) were fully addressed.
- Recommendations () were partially addressed.
- 1 Recommendation (1) directed to the Department was addressed.

Recommendation Status

1. **DCFS management resolve the \$36,637 (\$34,741+\$1,896) in unallowable and unsupported/inadequately supported expenditures and collect any disallowed amounts.**

Agency Proposed FCAP: *Project Six will submit payment when the recommendations are finalized.*

DCFS Response: DCFS accepts the agency's response. DCFS requires that The Help Group - Project Six, as agreed, to submit a check drawn on non-foster care funds **in the amount of \$36,637.00**. The Department requires that you identify the source of the funds from which payments will be made. Please make your check payable to **DCFS Cashier** and mail to:

Latisha Thompson, ASM III
Department of Children and Family Services
425 Shatto Place Rm. 304
Los Angeles, Ca. 90020

2. **Project Six management ensure that foster care monies are used for allowable expenditures to carry out the purpose and activities of the Agency.**

Agency Proposed FCAP: *Since the audit Project Six has reversed any Bond related expenses in the current year to insure foster care monies is used for allowable expenditures. At the end of the fiscal year the Controller and Assistant Controller will make sure only allowable expenditures are charged to the program. Board will approve procedure at the next meeting.*

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

3. **Project Six management maintain adequate supporting documentation for all Agency expenditures, including original itemized invoices and receipts.**

Agency Proposed FCAP: *We currently have procedures in place that assure we have proper documentation for all expenses. The issue that surfaced during the audit was an indirect allocation of professional services that did not benefit the group home. Going forward the agency will make sure that Overhead Allocated expenditures benefit the group home. Board will approve procedure at the next meeting.*

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

4. **Project Six management revise and resubmit the Semi-Annual Expenditure Reports for FY 2008-09, and ensure that expenditure reports are consistent with the Agency's accounting records.**

Agency Proposed FCAP: *Project Six has fixed the formula error in the cost report that caused the discrepancy. Going forward the Controller and Assistant Controller will make sure no discrepancy exists. Board will approve procedure at the next meeting.*

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

5. **Project Six management conduct an inventory of all fixed assets at least annually to ensure that fixed assets are accounted for and maintained in proper working order, and maintain supporting documentation.**

Agency Proposed FCAP: *Project Six will inventory fixed assets at the end of the fiscal year. Board will approve procedure at the next meeting.*

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.